

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 EB-07 EPG-02 TRSE-00 STR-04 OMB-01 CEA-01  
COME-00 /073 W  
-----031849Z 057563 /53

R 031730Z JUN 77  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 4721  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY THE HAGUE  
AMEMBASSY LUXEMBOURG  
AMEMBASSY ROME  
AMEMBASSY PARIS  
USMISSION NATO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH

C O N F I D E N T I A L SECTION 01 OF 03 LONDON 09300

USEEC ALSO FOR EMBASSY  
USOECN ALSO FOR EMBASSY

E.O. 11652: GDS  
TAGS: PGOV, PINT, PFOR, UK  
SUBJECT: CALLAGHAN.S CLEFT STICKS

REF: A) LONDON 4648 B) LONDON 8030

SUMMARY - DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT AND  
DEVOLUTION REMAIN DELICATE AND DIVISIVE ISSUES FOR THE  
GOVERNMENT -- INDEED, THE TROUBLESOME NATURE OF BOTH  
SEEMS TO BE INCREASING RATHER THAN ABATING. THE LABOR  
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PARTY REMAINS DIVIDED ON THEM, WHILE RENEWAL OF THE  
GOVERNMENT'S ACCORD WITH THE LIBERALS WILL PROBABLY BE  
CONTINGENT TO A GREAT EXTENT ON THE REALIZATION OF  
PROGRESS ON ONE OR BOTH SUBJECTS. THE DIRECT ELECTIONS  
QUESTION HAS TAKEN AN ADVERSE TURN IN RECENT WEEKS, WITH  
THE DEVELOPMENT OF A DIVISION IN THE CABINET OVER THE  
PROPOSED BILL, RENEWED LEFT-WING LABOR ATTEMPTS TO RE-

OPEN THE ENTIRE QUESTION OF BRITISH MEMBERSHIP IN THE EC AND ENERGY SECRETARY BENN'S RE-EMERGENCE AS A LEADING EC CRITIC. SOME DOUBT REMAINS WHETHER THE GOVERNMENT WILL INTRODUCE THE DRAFT LEGISLATION BEFORE THE PARLIAMENT RISES IN JULY, THOUGH WE ARE STILL INCLINED TO BELIEVE IT WILL. THERE IS LITTLE DOUBT, HOWEVER, THAT THE TIME REMAINING IN THIS PARLIAMENTARY SESSION IS INSUFFICIENT TO PERMIT ITS PASSAGE AND THAT BRITAIN WILL BE UNABLE TO MEET THE 1978 DIRECT ELECTION TARGET DATE. ON THE DEVOLUTION FRONT, THE GOVERNMENT HAS NOT YET BEEN ABLE TO DEVISE A COMPROMISE APPROACH WHICH WOULD FIND MAJORITY SUPPORT IN PARLIAMENT. AS A RESULT, CALLAGHAN IS LEFT WITH TWO EXCEEDINGLY SHARP POLITICAL DILEMMAS, THE RESOLUTION OF WHICH MAY WELL BE CRITICAL TO HIS CONTINUATION IN POWER, WHILE BENN ROCKS THE BOAT TO ADVANCE HIS OWN INTERESTS. END SUMMARY.

1. THE OUTLOOK FOR LEGISLATION ON DIRECT ELECTIONS TO THE EUROPEAN PARLIAMENT DETERIORATED SHARPLY IN RECENT WEEKS. ALTHOUGH THE GOVERNMENT REMAINS COMMITTED TO USE ITS "BEST ENDEAVORS" TO OBTAIN PASSAGE OF THE IMPLEMENTING LEGISLATION AND CAN COUNT ON BROAD SUPPORT FOR THE PRINCIPLE, THE CABINET AND LABOR PARTY ARE DIVIDED ON THE DRAFT BILL PREPARED BY THE HOME OFFICE. SIX MEMBERS OF THE CABINET -- LEADER OF THE HOUSE MICHAEL FOOT, ENERGY SECRETARY TONY BENN, ENVIRONMENT SECRETARY PETER SHORE, EMPLOYMENT SECRETARY ALBERT BOOTH, AGRICULTURE SECRETARY JOHN SILKIN AND SOCIAL SERVICES MINISTER STAN ORME -- OPPOSED THE DRAFT BILL BECAUSE IT PRO-

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VIDED FOR ELECTIONS BY THE REGIONAL LIST METHOD OF PROPORTIONAL REPRESENTATION (PR). IT IS NOT CLEAR WHERE THEY STAND ON THE PRINCIPLE OF DIRECT ELECTIONS, BUT IT SEEMS UNLIKELY THAT THEY WILL OBJECT IF THE PR ISSUE IS ELIMINATED. WE UNDERSTAND THAT THE DRAFT BILL IS CURRENTLY UNDERGOING REVISION WHICH WILL ALLOW PARLIAMENT TO CHOOSE BETWEEN PR AND THE TRADITIONAL FIRST-PAST-THE-POST (FPTP) ELECTORAL SYSTEM. IF THESE REPORTS ARE CORRECT, THE MOST SIGNIFICANT OBJECTIONS OF THE DISSENTING CABINET MEMBERS WOULD BE REMOVED.

2. THE LABOR PARTY REMAINS ON RECORD FROM LAST YEAR'S CONFERENCE AS OPPOSING DIRECT ELECTIONS (REF A), AND PARTY LEADERS HAVE AS YET BEEN UNABLE TO RECONCILE THE PARTY'S POLICY WITH THAT OF THE GOVERNMENT. THE LEFT-WING TRIBUNE GROUP, WHICH OPPOSED CONTINUED MEMBERSHIP IN THE EC AT THE TIME OF THE 1975 REFERENDUM, JUST LAUNCHED A CAMPAIGN TO REOPEN THIS QUESTION. THE TRIBUNE ACTION WAS FOLLOWED BY A PAMPHLET ATTACKING THE

"RESULTS" OF BRITISH MEMBERSHIP PUBLISHED BY LABOR'S  
"COMMON MARKET SAFEGUARDS COMMITTEE". ENERGY SECRETARY  
BENN, SPEAKING CAREFULLY FROM A PREPARED TEXT WHICH  
AVOIDED ANY MENTION OF DIRECT ELECTIONS. PRESENTED THE  
SAFEGUARDS COMMITTEE'S PAMPHLET TO THE PRESS, ASSERTING

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COME-00 /073 W

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R 031730Z JUN 77  
FM AMEMBASSY LONDON  
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AMEMBASSY BRUSSELS  
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THAT SINCE BRITAIN JOINED THE EC, PRICES HAD RISEN,  
INVESTMENT FALLEN, ITS TRADE DEFICIT WITH THE EC GROWN,  
UNEMPLOYMENT SOARED AND TAXES INCREASED. HE ALSO SUG-  
GESTED THAT THE MEMBERSHIP QUESTION WOULD BE A MAJOR  
ISSUE AT THE NEXT GENERAL ELECTION.

3. THESE DEVELOPMENTS HAVE INTENSIFIED PRESSURES ON  
CALLAGHAN FROM HIS OWN PARTY, MAKING IT MORE DIFFICULT  
FOR HIM TO MEET //MG.S COMMITMENT ON DIRECT ELECTIONS

WITHOUT SERIOUSLY ACCENTUATING STRESS AND DIVISION WITHIN  
THE LABOR PARTY. IF THE GOVERNMENT FAILS TO INTRODUCE A  
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DIRECT ELECTION BILL BEFORE PARLIAMENT RISES IN JULY,  
IT WILL JEOPARDIZE THE CRITICAL PACT WITH THE LIBERAL  
PARTY, AS WELL AS DELAY THE ACTUAL ELECTION DATE. IN  
ANY EVENT, IT WILL BE VIRTUALLY IMPOSSIBLE TO OBTAIN  
PASSAGE OF THE BILL IN THE CURRENT SESSION, SO THE  
LIKELIHOOD OF BRITAIN BEING READY FOR ELECTIONS BY MAY-  
JUNE 1978 IS ALMOST NIL. AND SINCE OPPONENTS OF  
DIRECT ELECTIONS WILL FILIBUSTER ONCE THE BILL REACHES  
THE FLOOR OF COMMONS, THE GOVERNMENT WILL PROBABLY HAVE  
TO INTRODUCE A CLOTURE MOTION TO ENSURE ITS PASSAGE.  
CLOTURE IS ALWAYS A DIFFICULT TASK WHEN IT COMES TO  
CONSTITUTIONAL MEASURES. IF, AS WE UNDERSTAND WILL BE  
THE CASE, THE GOVERNMENT ALLOWS PARLIAMENT TO CHOOSE BE-  
TWEEN PR AND FPTP ON A FREE VOTE, THERE IS LITTLE CHANCE  
THE FORMER WILL BE APPROVED. THIS WILL MEAN FURTHER  
DISAPPOINTMENT FOR THE LIBERALS WHO PLACE A VERY HIGH  
PRIORITY ON PR.

4. IF THE DIRECT ELECTIONS OUTLOOK HAS BEEN CHARACTER-  
IZED BY FLUIDITY OVER THE PAST FEW MONTHS, THE DEVOLU-  
TION SITUATION HAS BEEN STATIC. NEITHER CONSULTATIONS  
WITH THE VARIOUS PARTIES, THE TWISTING OF ARMS AMONG  
ANTI-DEVOLUTION LABOR BACKBENCHERS NOR THE ATTEMPTED EN-  
TICEMENT OF PRO-DEVOLUTION TORIES HAVE PRODUCED A  
BROADLY SUPPORTED ACCOMMODATION FORMULA. THE CONSERVA-  
TIVES' CONTINUING RETREAT FROM THEIR EARLIER COMMITMENT  
TO ELECTED ASSEMBLIES IN SCOTLAND AND WALES, HOWEVER,  
DOES INCREASE THE POSSIBILITY THAT SOME CONSERVATIVE  
DEVOLUTIONISTS WILL SUPPORT THE BILL NEXT TIME AROUND,  
MARGINALLY IMPROVING ITS PROSPECTS. THE LIBERALS,  
MEANWHILE, PRESS FOR A VIABLE SOLUTION THAT WILL ALLOW  
THEM TO SHARE THE CREDIT FOR SETTING UP DEVOLVED GOVERN-  
MENT. NEVERTHELESS, IT SEEMS IMPROBABLE TO US THAT THE  
GOVERNMENT WILL BE ABLE TO PUBLISH A REVISED DEVOLUTION  
BILL BEFORE PARLIAMENT RISES, EVEN IF IT COULD FIND THE  
KEY TO THE ACCOMMODATION PUZZLE.

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5. THE ISSUES OF DIRECT ELECTIONS AND DEVOLUTION CON-  
TINUE TO DIVIDE THE LABOR PARTY AND CREATE HEADACHES  
FOR THE PRIME MINISTER. BOTH ISSUES' MOREOVER, ARE

IMPORTANT TO THE LIBERALS. AT THEIR RECENT CONFERENCE, WHICH OVERWHELMINGLY ENDORSED THE PACT WITH THE GOVERNMENT, STEEL AND OTHERS MADE IT CLEAR THAT THEY HAD TO HAVE SOME POLITICAL PELTS IN THEIR PACK IF THE ACCORD IS TO BE EXTENDED. DESPITE THEIR POOR GENERAL ELECTION PROSPECTS. THEY MUST HAVE SOMETHING TO SHOW FOR THEIR SUPPORT FOR THE GOVERNMENT -- THEIR QUID NEEDS A QUO. STEEL, IN A JUNE 2 SPEECH, REAFFIRMED THE IMPORTANCE THE LIBERALS ATTACH TO THE DIRECT ELECTIONS BILL AND THEIR EXPECTATION THAT LEGISLATION WOULD BE INTRODUCED IN THE CURRENT SESSION. IF, ON THE ONE HAND, CALLAGHAN MOVES FORWARD ON DIRECT ELECTIONS, HE RISKS SPLITTING HIS OWN PARTY -- AND PERHAPS HIS GOVERNMENT. - WHILE, ON THE OTHER HAND, IF HE FAILS TO PRESS AHEAD, HE WILL JEOPARDIZE CONTINUED LIBERAL SUPPORT. HE FACES A SIMILAR, BUT LESS SERIOUS, SITUATION ON DEVOLUTION. HE IS CLEARLY CAUGHT BETWEEN THE ENDS OF TWO CLEFT STICKS.

6. IN OUR VIEW, CALLAGHAN'S BEST BET IS TO MOVE ON BOTH ISSUES, RISKING A SPLIT IN HIS OWN PARTY. THIS IS DEFINITELY THE LESSER RISK. WE WOULD GUESS THAT HE WILL TRY TO INTRODUCE A REVISED DIRECT ELECTIONS BILL LATER THIS MONTH OR IN EARLY JULY. WHILE HE MIGHT ALSO RE-INTRODUCE A DEVOLUTION BILL BEFORE THE END OF THE CURRENT SESSION, THE ODDS SEEM TO FAVOR ITS INTRODUCTION EARLY IN THE 1977-78 SESSION, SHORTLY AFTER THE QUEEN'S SPEECH. ITS INCLUSION IN HER SPEECH AND QUICK INTRODUCTION WOULD BE AN ADDED INCENTIVE FOR THE LIBERALS AND GIVE THE GOVERNMENT ADDITIONAL TIME TO FIND AN ACCEPTABLE SOLUTION TO THE CURRENT STALEMATE. THE CONTINUED ECONOMIC MALAISE, PUBLIC SPENDING CUTS, HIGH UNEMPLOYMENT, WORKER DISSATISFACTION WITH PAY POLICY  
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AND THE RECENT TEMPEST CAUSED BY THE JAY APPOINTMENT

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R 031730Z JUN 77  
FM AMEMBASSY LONDON  
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(REF B), HOWEVER, HAVE WEAKENED LABOR'S MORALE AND CO-  
HESION, INCREASING THE POSSIBILITY THAT DISSENTERS ON  
THE EXTREME LEFT OR RIGHT OF THE PARLIAMENTARY LABOR  
PARTY MAY SURRENDER TO THEIR SUICIDAL INSTINCTS, SINKING  
THE GOVERNMENT.

8. BENN'S RE-EMERGENCE AS THE SPOKESMAN OF THE ANTI-  
MARKET GROUP IS INTERESTING AND ILLUSTRATIVE. IT  
UNDERScores CALLAGHAN'S RECENT LOSS OF POLITICAL AUTHOR-  
ITY AND BENN'S PERCEPTION OF THIS LOSS -- CALLAGHAN  
SIMPLY CANNOT RISK WITHDRAWING BENN'S PORTFOLIO, AND  
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BENN IS OBVIOUSLY CONFIDENT HE CAN STAKE OUT, IN-  
FERENTIALLY AT LEAST, A PUBLIC POSITION AT ODDS WITH  
GOVERNMENT POLICY WITHOUT WORRYING ABOUT LOSS OF HIS  
JOB, THOUGH HE MAY RECEIVE A PRIVATE REPRIMAND. BENN'S  
MOVE ALSO HIGHLIGHTS CURRENT POPULAR DISCONTENT OVER  
BRITISH MEMBERSHIP IN THE EC, AND HE HAS A SENSITIVE  
NOSE FOR SUCH TRENDS. WE UNDERSTAND, MOREOVER, THAT  
SOME CONSERVATIVES ARE WORRIED THAT ANTI-EC BACKLASH  
AT THE NEXT GENERAL ELECTION COULD DAMAGE THEIR CHANCES.  
FINALLY, BENN'S ACTION REAFFIRMS, IF REAFFIRMATION WAS  
NECESSARY, HIS WILLINGNESS TO EXPLOIT EVERY POSSIBLE AD-  
VANTAGE TO ADVANCE HIS STANDING IN PARTY AND, PAR-

TICULARLY, HIS PROSPECTS TO SUCCEED CALLAGHAN.

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## Message Attributes

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**Decaption Note:**  
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**Disposition Approved on Date:**  
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**TAGS:** PGOV, PINT, PFOR, UK  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odhc://SAS/SAS.dbo.SAS\_Docs/5f239e73-c288-dd11-92da-001cc4696bcc  
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